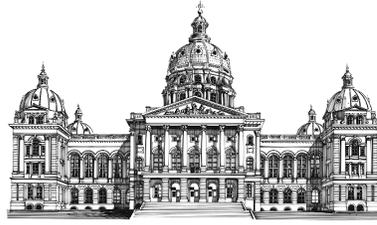

Iowa Legislative Fiscal Bureau

Dennis Prouty
(515) 281-5279
FAX 281-8451



State Capitol
Des Moines, IA 50319
July 9, 2001

Child Support Recovery

ISSUE

Child Support recovery efforts at the Department of Human Services (DHS).

AFFECTED AGENCIES

Department of Human Services
Department of Revenue and Finance

CODE AUTHORITY

Chapters 252A-252K, Section 421.17A, Chapter 598, and Sections 626.29-626.31, Code of Iowa

BACKGROUND

Child Support Recovery Unit

The Department of Human Services' (DHS) Child Support Recovery Unit (CSRU) assists families of Iowa and other states to achieve and maintain financial self-sufficiency by establishing and enforcing child and medical support orders, and by processing support payments. It is a national leader and ranks consistently among the top ten states in overall performance.

The Child Support Recovery Unit is the "IV-D agency" in Iowa. Its activities are regulated by federal law. Title IV-D of the Social Security Act requires a state to designate a single organizational unit to administer the Title IV-D Child Support plan. Title IV-D, includes automated system requirements. It has a State Plan approved by the federal Office of Child Support Enforcement (OCSE). Ongoing compliance with that State plan, including meeting regular federal program and financial reporting and audit requirements, entitles Iowa to federal funding. Of the approximately \$41.0 million total dollar annual budget for FY 2002, \$6.7 million is State general funds, approximately \$6.5 million is earned performance incentive funds, and the remainder is federal matching funds.

The Child Support Recovery Unit consists of a central office (policy, operations, and some centralized collection activities), computer system staff, 18 field offices (each office serves a cluster of counties and has contracts with groups of county boards), the Collections Service Center, a centralized employer/financial institution services unit (EPICS), and assistant attorney general and county staff linked by agreements with Child Support Recovery Unit. The Child

Support Recovery Unit also has contractual relationships for services with entities including clerks of court.

Who does the Child Support Recovery Unit Serve? The Child Support Program assists custodial and non-custodial parents in meeting their parental obligations to support their children. The Program serves parents and children who are also customers of other human services programs such as Family Investment Program (FIP), Medicaid, State Children's Health Insurance Program (SCHIP), childcare, foster care, welfare to work, and food stamps. Referrals of customers and timely and accurate sharing of data and information is a component of successful service delivery to families. The Child Support Recovery Unit provides services in approximately 165,000 cases.

CURRENT SITUATION

Department of Human Services Child Support Recovery Unit

Since 1994, the Child Support Recovery Unit has been reporting child support debt to the Department of Revenue and Finance. The amount of debt at the start of calendar year 1999 was \$841.5 million, and grew to \$899.1 million at the end of calendar year 2000, an increase of \$47.6 million over two years. During 1999 and 2000, 11,631 new custodial parents came for collection services with \$60.7 million in past support already owed to them. For those same 11,631 new cases during calendar 1999 and 2000, additional monthly child support was due totaling an additional \$28.4 million. The Child Support Recovery Unit collected \$46.2 million on current and delinquent support on these cases during the same period.

How is the Iowa Child Support Recovery Unit doing?

- Iowa has been recognized nationally for its Child Support Program. Collections rose from \$140.7 million for FY 1995 to \$226.8 million in FY 2000, an average annual increase of 10.2%.
- Iowa will receive performance incentive payments from the federal government in all five nationally established areas of program results, including rate of court order establishment, paternity establishment, collections of current and past due support, and cost-effectiveness.

The Department of Revenue and Finance's Centralized Collections Unit

The Department of Revenue and Finance's (DRF) Centralized Collections Unit was created in 1993 and it is mostly self-supporting through a fee structure charged to participating departments. Fees in most cases are passed on to debtors in the form of an assessment for collection costs.

Departments are encouraged, but not required, to join the centralized collection effort. The Judicial Branch joined the effort in 1996 by referring unpaid court fines and fees. Since then, the effort has expanded to include the Department of Inspections and Appeals (overpayments of public assistance and welfare fraud) in 1998. A portion of the Department of Human Services' Child Support Recovery Unit is scheduled to join in the summer of 2001 followed by the College Student Aid Commission (defaulted student loans) in the fall of 2001.

The primary focus is collection of past due receivables owed to agencies of State government. To be eligible for collection, the receivable has to be past due and the amount not subject to change, litigation, or appeal. It is the responsibility of the referring agency to resolve any dispute as to the amount owed or legality of the debt that might arise during the attempts to collect the debt.

The Department of Revenue and Finance has contracted with a private sector collection agency to manage and staff this operation. The contractor, Outsourcing Solutions, Inc. (OSI), uses State-owned systems and equipment to conduct call campaigns. The contractor is physically located with other Department of Revenue and Finance employees.

Over the years, the Department of Revenue and Finance collection managers have worked with the Child Support Recovery Unit management to enact legislation and develop systems that would aid both organizations. The Child Support Recovery Unit was the first client in the State tax refund offset program. The Department of Revenue and Finance and Child Support Recovery Unit have cooperated on developing the language that initially authorized the Department of Revenue and Finance to create the Centralized Collection Unit, authorized administrative levy of bank accounts, blocked vehicle registration renewals, and allows suspension of drivers license. They have also cooperated on providing the Child Support Recovery Unit with access to information on the location, income, and property holdings of absent parents.

ALTERNATIVES

Maintain the Child Support Recovery Unit within the Department of Human Services. This would be no change to the current organizational structure. Most States house their Child Support programs in human services agencies. In Iowa, efforts to improve collection activities, increase collections, reduce outstanding debt, and improve customer services, continue.

Relocate the Department of Human Services Child Support Recovery Unit to the Department of Revenue and Finance. Five States have placed the Title IV-D Program in revenue agencies. Contacts were made with Alaska, Arkansas, Florida, and Massachusetts. Program staff stated that such moves allow for more focus on enforcement of collections, higher recovery of delinquent child support debt, increase in customer satisfaction (i.e. families), improved fiscal accountability, and reduced audit findings. Cautions included the need for appropriate planning prior to any move, for appropriate staff to meet the changes in focus, an independent computer system that does not have to compete with other technology priorities, and waiver from State mandates to allow flexibility and improve chances of success.

In addition to issues of scope of services, federal regulatory relationships, and Child Support Recovery Unit customers' (parents and children), links with FIP, Medicaid and foster care, other considerations are:

- Child Support Recovery Unit has other links within the DHS, and these links would need to be re-established within the Department of Revenue and Finance: Federal reporting, budgeting, contracting, leasing, accounting, cost allocation, appeals, rules coordination, employees manual, state plan, staff development (CSRU has approximately 660 state, county and contract staff), payroll, wide area networking and legal.
- Legal issues, that must be considered, include changes in State statute, administrative rules, contracts and agreements with financial institutions and other entities, and meeting federal mandates.

Referral of certain cases to the Department of Revenue and Finance

Implement the current plan to refer a set of cases with approximately \$73.0 million worth of debt to the Central Collections Unit for additional debt collection work. This project is using exact referral criteria used by the Child Support Recovery Unit when it entered into a contract with a private

collection organization, Equifax, for debt collection in 1997. Study the effectiveness and results of this activity, and determine next steps based upon the outcome.

Transfer the responsibility for collection of child support to the Department of Revenue and Finance while maintaining the other services provided by the Child Support Recovery Unit with the Department of Human Services. Collection functions may be delegated to other entities, but the IV-D agency within the State is responsible for securing compliance with all federal requirements. The focus of the Centralized Collections Unit, in the Department of Revenue and Finance, is on past due receivables that are no longer subject to litigation, appeal or adjustment. Problems, disputes and account maintenance are the responsibility of the referring agency.

BUDGET IMPACT

Maintaining the existing unit at the DHS should result in no change in the costs. The FY 2001 total budget for the DHS Child Support Recovery Unit is \$42.5 million and 288.4 FTE positions. There are three sources of funding including State general fund appropriations, Federal Performance Incentive payments, and federal match (generally 66%).

Costs and benefits to relocate the Child Support Recovery Unit to the Department of Revenue and Finance have not been determined. An approximation of the costs would depend on details of a transition plan and decisions around the issues identified. The resulting benefits from moving the Child Support Recovery Unit would be dependent on new strategies and collection techniques the Department of Revenue and Finance would apply, and methods to retain current high performance incentive funding at the current level or above.

The Department of Human Services and the Department of Revenue and Finance are moving forward together on a plan for the Centralized Collections Unit to collect on a small portion of the child support debt. Beginning in FY 2002, the accounts that the DHS will be referring to the Department of Revenue and Finance are those where the support order has expired but the non-custodial parent still owes back support. The Department of Revenue and Finance anticipates handling approximately 10,300 cases with a value of approximately \$73.0 million. The Department of Revenue and Finance will charge the DHS a fee of 10.0% of the amount collected, which is their standard fee. The Department of Revenue and Finance projects Child Support collections of \$200,000 the first year and \$400,000 the second year of the project.

STAFF CONTACT: Sam Leto (Ext. 16764) and Ron Robinson (Ext. 16256)